

EUROPEAN BANKING AUTHORITY

EXECUTIVE SUMMARY  
OF THE ANNUAL REPORT 2018

**EBA**

EUROPEAN  
BANKING  
AUTHORITY

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# EXECUTIVE SUMMARY OF THE ANNUAL REPORT 2018





# Achievements in 2018

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## Playing a central role in the regulation and policy framework, with the development and maintenance of the Single Rulebook

### Monitoring the implementation of the regulatory framework

In October 2018, the EBA published a report on monitoring the impact of implementing the final Basel III regulatory framework in the EU. The report contains a breakdown of the impact on the total minimum required capital arising from credit risk, operational risk, leverage ratio reforms and the output floor. The EBA has also been active in providing early input to the Basel Committee on Banking Supervision (BCBS) before the development of supervisory standards, through new data collection activities that allow a better assessment of the proposed policies.

### Continuous monitoring of capital issuances

The EBA has been assessing the terms and conditions of new forms of CET1 instruments that have been issued by EU institutions to identify provisions that the EBA considers to contradict the eligibility criteria. In cooperation with competent authorities, the EBA is also conducting a review of pre-CRR instruments. The main results of the monitoring work are reflected in the CET1 report, which was published for the first time in 2017 and updated in mid-2018. In addition, the EBA reviewed 23 AT1 issuances for a total of EUR 11.41 billion in its AT1 report.

### Monitoring of IFRS 9 implementation

In December 2018, the EBA published a report on its first observations on the impact and implementation of International Financial Reporting Standard (IFRS) 9 by EU institutions. The data included in the report were collected

through the supervisory reporting templates submitted by the institutions and supplemented with public disclosure information, where necessary.

### Improving clarity with regard to minimum capital requirements for credit risk

The EBA put emphasis on increasing the clarity of the European regulatory framework, with a particular focus on the CRR provisions regarding the credit risk mitigation (CRM) framework, as well as on the harmonisation of practices with regard to the identification of items associated with particularly high risk in accordance with Article 128(3) of the CRR. Hence, the Authority published a report on the assessment of the current CRM framework in March 2018 and put out guidelines on specification of types of exposures to be associated with high risk.

### Continuing the repair and benchmarking of internal models

The EBA conducted its annual supervisory benchmarking exercises, aimed at identifying outliers in the calculation of risk-weighted assets using internal models. The EBA has published horizontal reports summarising the main findings for credit risk and market risk. With respect to credit risk, the 2018 report presented for the first time results on both high default portfolios and low default portfolios. The report on market risk was able to quantify the levels of risk for the different types of product, indicating that interest rate instruments exhibit the lowest level of dispersion.

The details of the annual benchmarking exercises are included in the implementing technical standards (ITS) that specify the benchmarking portfolios and reporting instructions to be applied. In June 2018, the EBA published its annual update to these ITS, defining the benchmarking portfolios for the 2019 benchmarking exercise.

The work on the identification of an economic downturn and its impact on LGD estimates was finalised as the last element of the IRB roadmap. Clarifications are provided in the final draft RTS on the specification of the nature, severity and duration of an economic downturn published in November 2018, and in the EBA guidelines on downturn LGD estimation published in early 2019.

### Implementing the revised counterparty credit risk and market risk standards in the EU

Following a consultation on its discussion paper on the implementation in the EU of the revised market risk and counterparty credit risk frameworks, the EBA received 14 responses, in addition to feedback from its Banking Stakeholder Group (BSG). The discussion paper put forward initial proposals and preliminary views on how to address eight mandates in the CRR2 proposal, two on the SA-CCR (standardised approach for counterparty credit risk) and six on the FRTB (Fundamental Review of the Trading Book).

Figure 1: EBA roadmap on internal model repair



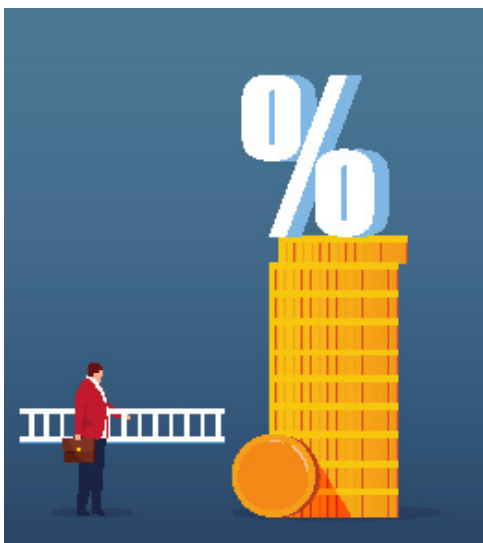
## Harmonising the outsourcing framework

In 2017, the EBA addressed the specificities of outsourcing to the cloud by developing recommendations on outsourcing to cloud service providers. The recommendations ensured that institutions and service providers could rely on defined supervisory expectations regarding outsourcing to cloud service providers, removing the uncertainty about the use of cloud services. The recommendations have been integrated into the present guidelines and will be repealed when the revised guidelines enter into force on 30 September 2019.

The guidelines cover the whole outsourcing process, from the initial risk analysis to entering into an outsourcing contract and exiting from existing arrangements. Institutions must not only assess the risks of outsourcing a function but also the ability of the service provider to perform the function.

## Monitoring remuneration practices

The EBA analysed trends in relation to high earners based on figures for the financial year 2017, and will publish its report at the beginning of 2019. The overall increase of 262 high earners is mainly due to an increase of high earners in several Member States, while in a few other Member States the number of high earners slightly decreased. The percentage of high earners that are identified staff went down slightly: 86.89% in 2017 compared to 89.47% in 2016.



## Contributing to the Capital Markets Union action plan

In June 2018, following a call for advice from the European Commission, the EBA published a report and a recommendation on the possible adoption of dedicated European Secured Notes for SMEs and an infrastructure loans legal framework. The Authority counselled against creating such a legislative framework at this stage and advised the European Commission to explore the merits of a dedicated legislative framework for bonds backed by high-quality project finance loans.

## Implementing the new securitisation framework (STS)

2018 was crucial for the implementation of the new EU securitisation rules. Under the new securitisation framework, the EBA has received 28 regulatory mandates. It successfully delivered on five of those, including the guidelines on the interpretation of the STS criteria for both asset-backed commercial paper (ABCP) and non-ABCP securitisations, the draft technical standards on homogeneity and the draft technical standards on risk retention, the purpose of which is to harmonise the requirements on this matter to help ensure consistent application by institutions. The new common EU rules on securitisation and capital requirements on securitisation will become applicable on 1 January 2019.

## Mitigating and managing ICT risks and cyber security

The complexity of ICT risks is increasing and the frequency of ICT-related incidents (including cyber). The EBA conducted its work on ICT risks in 2018 in line with the requests in the European Commission's FinTech action plan published in March 2018. The first outcome was a set of guidelines on ICT and security risk management, aiming to mitigate ICT risks for all financial institutions. These guidelines establish requirements for credit institutions, investment firms and payment service providers on the mitigation and management of their ICT risks, and they aim to ensure a consistent and robust approach across the Single Market. The public consultation on the draft guidelines was launched on 13 December 2018 and the final guidelines are expected to be published in Q3 2019.

## Promoting efficient and coordinated crisis management of resolution

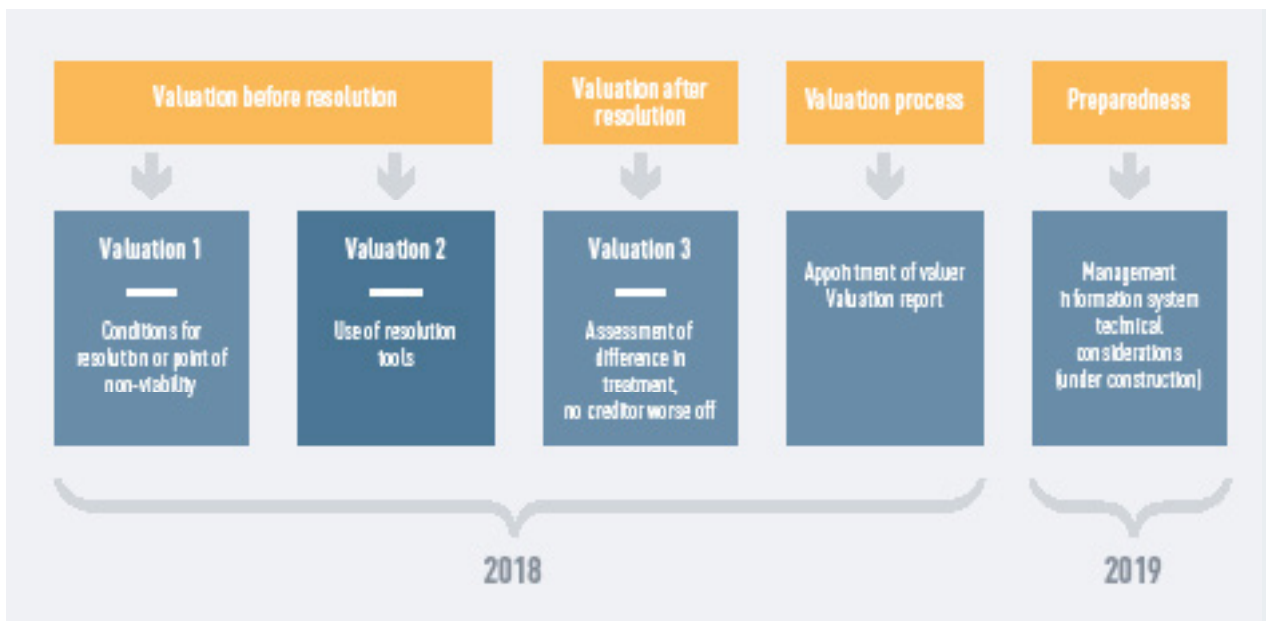
### Valuation handbook

The EBA developed a handbook on valuation for purposes of resolution, which will be adopted at the beginning of 2019. The adoption of the handbook follows the regulatory activity carried out by the EBA in the area of valuation for resolution, resulting in RTS on valuation before resolution, RTS on valuation after resolution, RTS on valuation of derivative liabilities for purposes of bail-in and RTS on independent valuers.

### Convergence in resolution approaches focusing on the functioning of colleges and monitoring progress on resolvability across the EU

The EBA published its first report on the functioning of resolution colleges in July 2018. The report covers selected colleges from the 2017 resolution cycle but does not capture resolution planning activities outside resolution colleges. It aims to provide an overview of colleges' work and output, and operational aspects, to identify the progress achieved and the areas for improvement, while increasing transparency for stakeholders.

Figure 2: Stages of the valuation process



## Promoting the convergence of supervisory practices

### Supporting better implementation of Pillar 2 in the EU: the EBA Pillar 2 roadmap

In July 2018, the EBA completed an important milestone in its Pillar 2 roadmap, with the publication of a package of three revised guidelines aimed at further enhancing institutions' risk

management and convergence in the supervisory review and evaluation process (SREP). The three revised guidelines focus on institutions' management of interest rate risk in the banking book (the IRRBB guidelines) and stress testing (guidelines on institutions' stress testing), and on the common procedures and methodologies for the SREP (SREP guidelines).



### Assessing third country equivalence

The work of the EBA on the assessment of equivalence of third countries focuses on two main areas: the assessment of professional secrecy and confidentiality regimes of third country authorities, and the assessment of the regulatory and supervisory frameworks of third country jurisdictions. To date, 42 authorities from 24 third country jurisdictions have been assessed as having equivalent confidentiality regimes.

Following the Commission's call for advice, in 2018 the EBA provided its input to the assessment of whether the supervisory and regulatory frameworks of a number of third countries were equivalent to those of the EU.

### Assessing convergence of supervisory practices

Policy development in the field of supervisory practices is mostly driven by the EBA addressing supervisory needs and areas where further convergence is needed. The convergence work in general forms an important feedback loop for the policy work. For instance, most of the areas identified as being in need of further progress in the 2016 and 2017 convergence assessments have been covered in the EBA's policy work on Pillar 2, which led to the publication of the revised SREP guidelines in 2018. In the same way, the 2018 bilateral convergence visits resulted in a feedback loop that will inform its policy work. In addition, training is an important component in achieving a common supervisory culture and in fostering convergence in supervisory practices. The EBA held a total of 27 training events for 1 687 attendees in 2018.

## Identifying and analysing trends and potential risks and vulnerabilities, and supporting efforts to resolve non-performing loans

### Monitoring and assessing EU banking sector developments

As a central instrument to monitor the main risks and vulnerabilities of the EU's banking system, the EBA continues to produce its regular risk assessment report (RAR). The 2018 RAR describes the main developments and trends in the EU banking sector since the end of 2017 and sets out the EBA's outlook on the main risks and vulnerabilities. For the 2018 report, data were received from a sample of 187 banks from 25 EEA countries covering about 80% of the EU banking sector (based on total assets); these data were supplemented with market data.

Another important monitoring tool that the EBA uses to identify the main risks and vulnerabilities is the conclusions of the EBA's RAQ. The RAQ is a semi-annual exercise in which the EBA surveys banks and market analysts, and it provides a thorough reflection of market participants' views on current and forthcoming developments in the banking sector. In 2018, the number of banks providing

their views through the RAQ increased to 53, covering 25 countries.

The quarterly risk dashboard remained a flagship tool supporting the EBA's regular risk assessment and helping to fulfil its role as a data provider. Throughout 2018, the risk dashboard consistently confirmed, regarding the EU banking system, weighted averages for the CET1 fully loaded ratio of over 14%, a declining NPL ratio of less than 3.5% and subdued profitability hovering around 7%.

In June 2018, the EBA updated its methodological guide on and list of risk indicators and detailed risk analysis tools. This version of the EBA guide incorporated IFRS 9 developments and made use of the EBA supervisory reporting framework.

The EBA continued to monitor the composition of funding sources across the EU through a forward-looking analysis of banks' future funding plans and through its assessment of the level of asset encumbrance. The two reports were published simultaneously in September 2018.

### The 2018 EU-wide Stress Test

In November 2018, the EBA published the results of the 2018 EU-wide stress test, which involved 48 banks from 15 EU and EEA countries, covering broadly 70% of total EU banking sector assets. The stress test exercise is part of the supervisory toolkit used by competent authorities to assess banks' resilience to adverse shocks, identify residual areas of uncertainty and feed into the supervisory decision-making process that determines appropriate mitigation actions.

### Contributing to the action plan to tackle non-performing loans in Europe

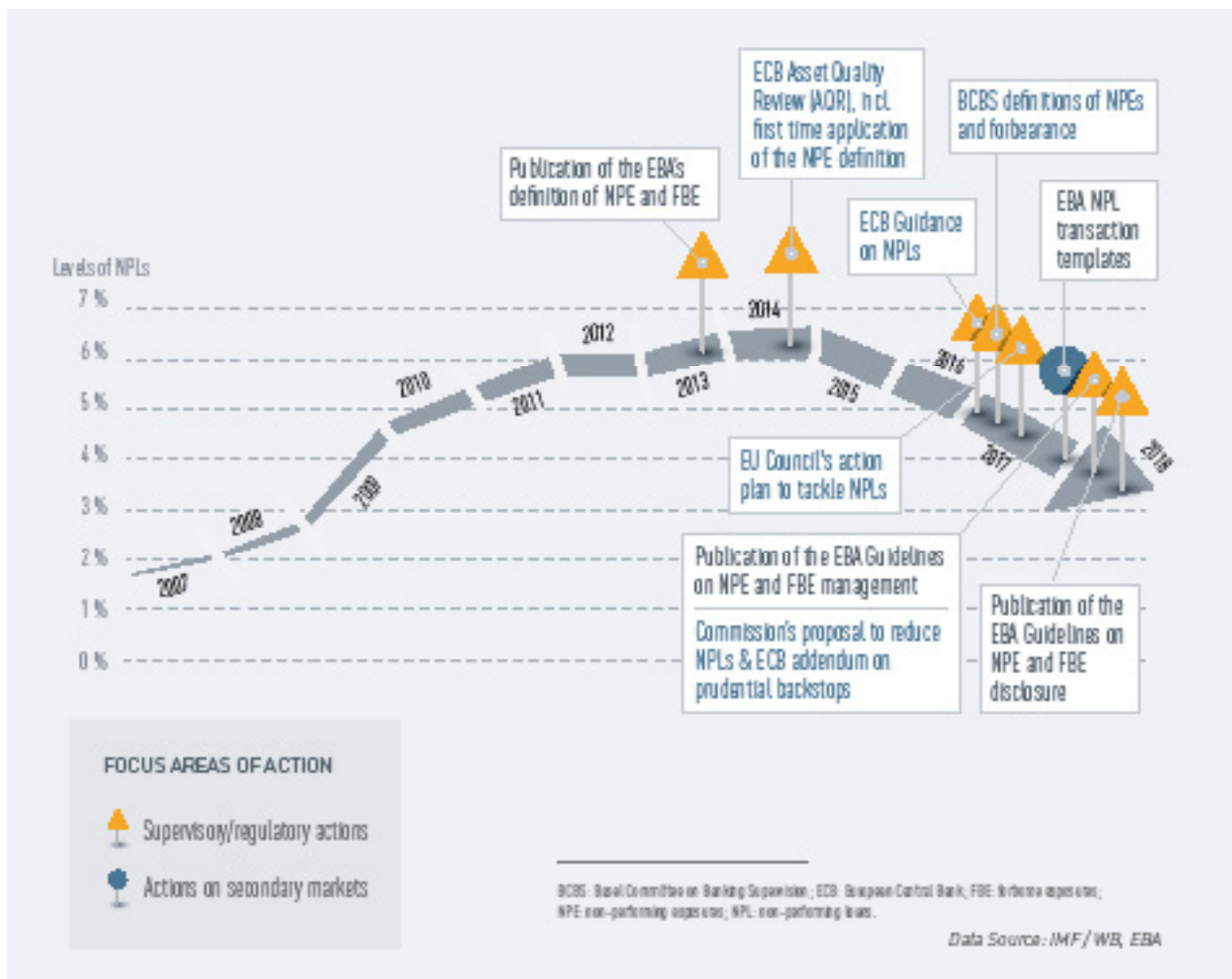
In 2018, the EBA continued to work with EU authorities and institutions to fulfil the objec-

tives of the Council action plan to tackle NPLs in Europe. The EBA also published its revised NPL transaction templates, having received information on experiences in practice and other feedback from stakeholders, as well as the guidelines on disclosure of non-performing and forborne exposures.

### Economic analysis and research

With the recent internal reorganisation of the EBA, a new unit within the Economic Analysis and Statistics Department is responsible for coordinating all the EBA's economic analysis and research activities. These include monthly research seminars for EBA staff, the organisation of an annual thematic policy research workshop, and the coordination of the Staff Paper series.

Figure 3: NPLs in the EU — on the path to recovery



## Strengthening the EBA's role as the EU data hub for the collection, dissemination and analysis of data on EU banks

### Moving towards greater transparency in data

The EBA has been focusing on enhancing the ways in which it publishes the rich data set on the largest EU banks' activity, by developing specific analytical tools, by helping national supervisors to create their own dashboards and by providing specific training on supervisory reporting and the EBA's ITS data.

For the fifth consecutive year, the EBA published information on indicators of global systemic importance. This information is a further step towards improving the general public understanding of systematically important institutions, and their key figures and business activities. The EBA also updated the published list of other systemically important institutions.

### Enhancing the EBA's data collection to monitor Basel III implementation in the EU

In 2018, the EBA received a call for advice from the European Commission about the implementation of the final aspects and agreement of Basel III into EU law, many of which required changes to the CRD and the CRR.

With a view to preparing technical advice on the impact and implementation of international standards in the EU for the European Commission, the EBA launched a data collection exercise in the summer of 2018, in parallel with the regular data collection for the Basel monitoring exercise with the reference date of Q2 2018.

As in previous years, in 2018 the EBA published its two semi-annual analyses of the impact of CRD IV CRR/Basel III rules on European credit institutions' capital, liquidity and leverage ratios, and the estimated shortfalls resulting from a lack of convergence with the fully implemented framework. The EBA also made available, along with the transparency exercise data, a set of data tools, which allows users to explore comparable bank-by-bank figures through maps and analytical Excel tools.

### EUCLID and the EBA's registers

The European Centralised Infrastructure for Supervisory Data (EUCLID) is a new data platform that will allow the EBA to collect data from the EEA competent authorities for all credit institutions in the area. This means the sample of institutions for which the EBA collects data will be expanded from around 200 of the largest institutions in the EEA to the full universe of credit institutions and banking groups in the EEA. The other aim of the platform is to use the data received to determine the reporting obligations for the collection of supervisory data.

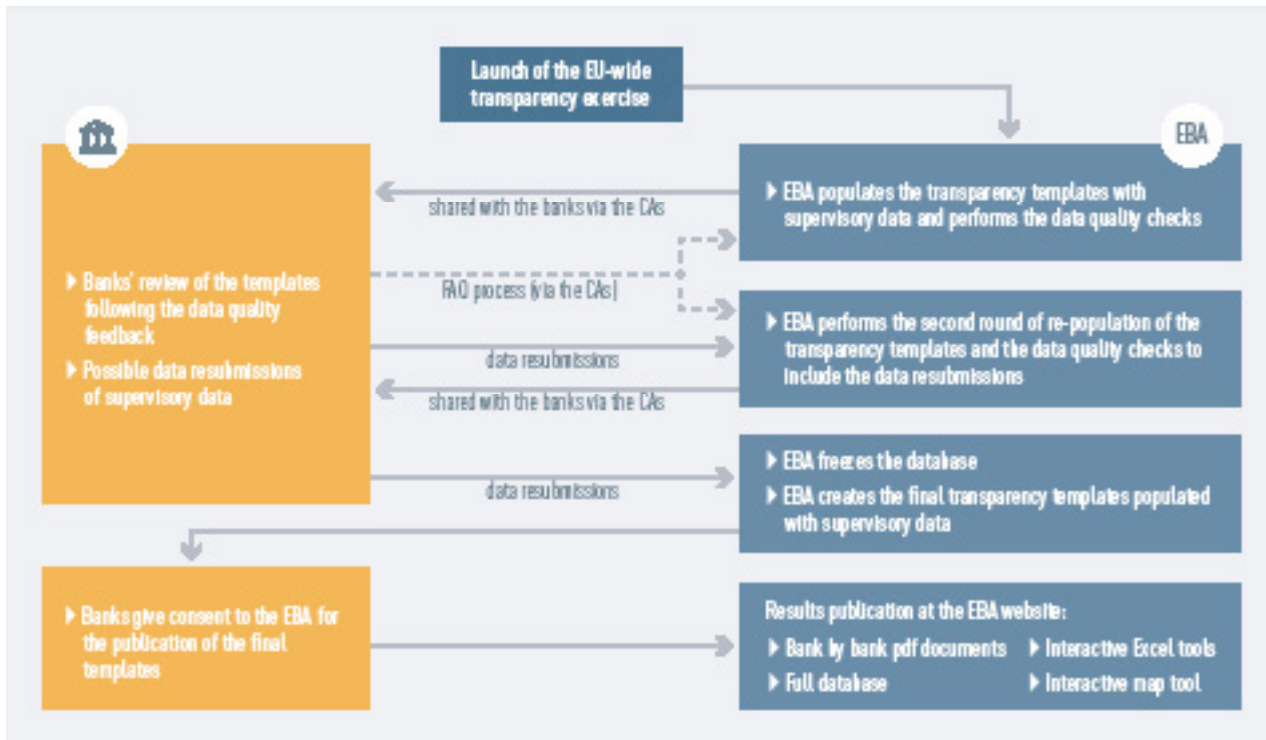
Work has been ongoing on building the EUCLID master data platform throughout 2018, with the involvement of a number of teams within the EBA in addition to the support provided by the competent authorities. This will be concluded in April 2019 with both the Payment Institutions Register and the Credit Institutions Register going live, allowing the collection of data from all EEA competent authorities.

### The 2018 EU-wide transparency exercise

Enhancing the transparency of the European banking sector through disclosing individual data on EU and EEA banks is one of the main objectives of the EU-wide transparency exercise, conducted by the EBA on an annual basis.

The 2018 exercise relied solely on supervisory reporting data. Data from 130 banks from 25 EU Member States and EEA countries were included. The EBA carried out the data processing and disclosure of figures in cooperation with competent authorities. During the 2018 exercise, EBA received and published on average more than 7 000 data points per bank. To facilitate analysis of the transparency figures, the EBA has made available, along with the individual banks' results and the full database, a set of interactive tools to access the data.

Figure 4: How the transparency exercise works



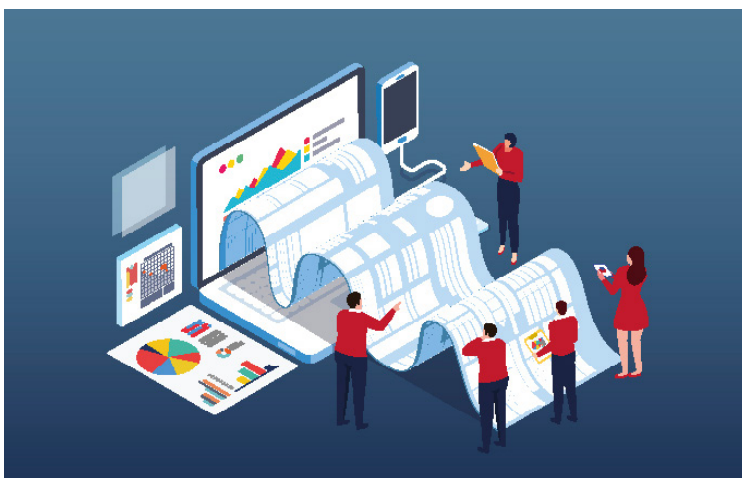
### Enhancing and maintaining the supervisory and resolution reporting framework

Reliable data are crucial to understand institutions' financial situation, assess risk profiles and identify risks for financial stability, and to understand the financial, legal and technical challenges and impediments to resolving institutions that fail or are likely to fail. With a view to providing supervisory authorities and

authorities in charge of resolution with this reliable data, the EBA has updated several of its reporting standards and the corresponding technical components (the data point model (DPM), validation rules, the eXtensible Business Reporting Language (XBRL) taxonomy) to keep them fit for purpose.

In April 2018, reporting framework v. 2.8 was published, which applied from 31 December. For the first time, this framework included not only supervisory data — such as COREP data, FINREP data or data for the purpose of benchmarking internal models — but also data for resolution planning purposes, collected by resolution authorities throughout Europe.

In August 2018, the EBA launched three consultation papers — on FINREP, the liquidity coverage ratio (LCR) and securitisations (COREP) — relating to amendments to Regulation (EU) No 680/2014 (ITS on supervisory reporting). These changes will be included in the reporting framework release v. 2.9, with 31 March 2020 being the first reporting reference date for FINREP and securitisations (COREP), and 30 April 2020 being the date for LCR reporting.



## Protecting consumers, monitoring financial innovation and contributing to efficient, secure and easy retail payments in the EU

### Financial innovation

While the EBA has been working on financial innovation since its inception, the EBA FinTech roadmap, published in March 2018, set out the EBA's journey into the FinTech world, putting in place a number of priorities for the next few years and establishing the EBA FinTech Knowledge Hub. In line with the EBA FinTech roadmap, a number of products were published in 2018, in relation to the revised Payment Services Directive (PSD2), crypto-assets, innovation facilitators, and impact on business models and prudential risks.

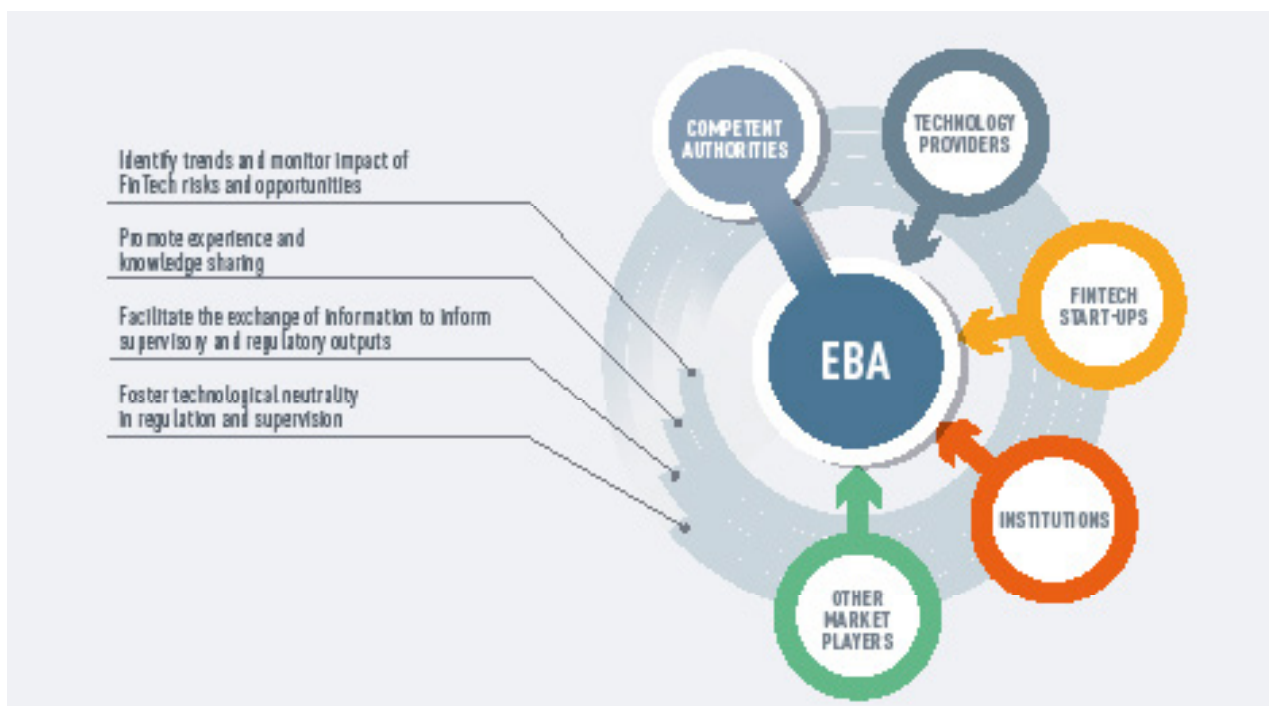
In December 2018, the EBA concluded its work on a report on crypto-assets responding to the call from the European Commission for an analysis of the applicability and suitability of current EU law with regard to crypto-assets. The EBA's report sets out the results of its assessment of the types of crypto-asset activities under way in the EU and regulatory and supervisory issues, building on the EBA's previous work in relation to virtual currencies.

Innovation facilitators have grown rapidly in popularity over recent years, with the European Supervisory Authorities (ESAs) identifying in the report 23 innovation hubs in EU and EEA states and 5 regulatory sandboxes in EU states that were operational at the time of publication. Building on work carried out in the course of 2018, the ESAs finalised a joint report setting out a comparative analysis of innovation established by competent authorities, a set of best practices for their design and operation, and options to enhance cooperation and coordination between facilitators.

### Changes in credit institutions' business models, prudential risks and opportunities

In line with the priorities set out in its roadmap, the EBA published in July 2018 two thematic reports: (i) a thematic report on the impact of FinTech on incumbent credit institutions' business models and (ii) a thematic report on the prudential risks and opportunities arising for

Figure 5: EBA FinTech Knowledge Hub





institutions from FinTech. Both reports aim to raise awareness within the supervisory community and the industry on potential prudential risks and opportunities stemming from current and potential FinTech applications and to offer an insight into the main trends that could affect incumbents' business models.

### Outsourcing to the cloud

Monitoring and promoting the safe use of cloud services in the banking sector has remained a priority for the EBA during 2018. The EBA reviewed the European Commission's request for further work on banks' use of the cloud, made in its FinTech action plan, and held a workshop in October 2018 to review the implementation of the recommendations. In addition, the Authority published a consultation paper on guidelines on outsourcing arrangements that incorporate the recommendations on outsourcing to cloud service providers.

### Anti-money laundering and countering the financing of terrorism

The EBA, together with the other ESAs worked on developing a framework aimed at improving the effectiveness of anti-money laundering and countering the financing of terrorism (AML/CFT) supervision across the EU and strengthening cooperation and information exchange between national supervisory authorities, both domestically and across bor-

ders. In particular, two technical standards and three guidelines came into force, which represent an important first step on the road towards a more consistent and effective European AML/CFT regime.

### Consumer and depositor protection

In March 2018, the EBA published its first financial education report, which was the EBA's first publication in fulfilment of its mandate to review and coordinate financial literacy and education initiatives by the competent authorities. In July 2018, the EBA updated the existing Joint Committee guidelines on complaints handling such that the scope of the application of the guidelines was extended to actors newly regulated under the Mortgage Credit Directive and under PSD2. In addition, in December 2018, the EBA published a report on the costs and performance of structured deposits in the EU. The report was in response to a formal request by the European Commission.

### Implementation of PSD2 and related EBA mandates

Another important part of the EBA's work focused on payments, namely on the delivery of technical standards and guidelines under PSD2 as well as on supervisory converge to ensure that the PSD2 requirements are applied in a sound, efficient and consistent manner across the EU.



## Being a responsible, competent and professional organisation, with effective corporate governance and efficient processes

### Involving stakeholders in the EBA's regulatory work

The EBA is committed to being fully transparent in its working processes. In doing so, it strives to engage with all competent authorities, stakeholders and interested parties, and give them the opportunity to provide input to its work to ensure that the Authority is in a position to take best-suited decisions in the interest of the EU without damaging stakeholders' interests. In accordance with its founding regulation, the EBA has set up a Banking Stakeholder Group (BSG), the consultation of which is a mandatory step in the drafting of RTS, ITS, guidelines and recommendations.

In 2018, the BSG responded to 10 public consultations in various areas such as outsourcing, payments, stress testing and credit risk. The BSG, together with the stakeholder groups of ESMA and EIOPA, wrote a joint letter to the Vice-President of the European Commission with regard to the review of the ESAs, putting forward some proposals to improve the functioning of the three ESAs. After a term of two and a half years, the BSG also published an end-of-term report, summarising the work done during this time and suggesting some possible improvements to the governance and the functioning of the group.

### Settling disagreements

One of the tasks of the EBA is to provide an environment where competent authorities can solve their disagreements. To enable the EBA to execute this task, its founding regulation lays down two separate procedures to help the competent authorities to overcome disputes: binding mediation and non-binding mediation. In 2018, the EBA participated in two binding mediations. For the first time, conciliation did not work and the EBA issued a binding mediation decision to the SRB and the National Bank of Romania. This highlights the importance of mediation in the field of resolution.

### Litigation cases in 2018

In 2018, the Legal Unit provided advice and assistance on litigation cases. With regard to case T 128/17, Isabel Torné v European Commission, the EBA intervened in support of the applicant.

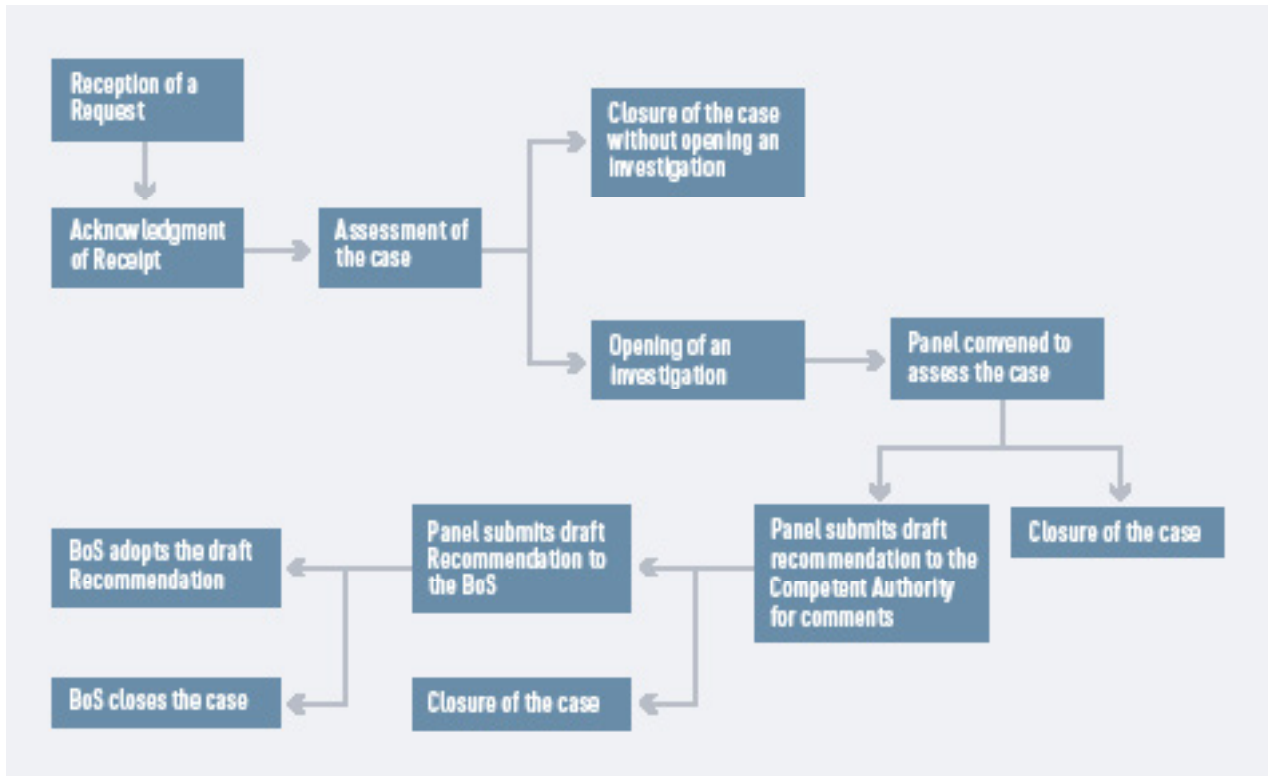
### Breach of Union law (BUL)

Article 17 of the EBA's founding regulation gives the EBA power to investigate potential breaches of Union law by competent authorities, including competent authorities within the Member States and the ECB under the Single Supervisory Mechanism. Where the EBA finds a BUL, it issues a recommendation on the actions to be taken by the competent authority to rectify the situation. If the EBA finds a BUL, this may lead to further action by the European Commission.

### Assessing costs and benefits

The EBA applies the principle of better regulation in its efforts to develop the Single Rulebook, and strives to ensure that it performs sufficient impact assessment to support the development of its regulatory policies. In line with the relevant provisions of the EBA's founding regulation, the EBA bases its development of technical standards, guidelines, recommendations and opinions on rigorous impact assessments, by gauging the incremental costs and benefits of the various policy options and proposed technical specifications. This work includes undertaking quantitative impact studies, analysing individual and aggregate banking data, assessing appropriate methodologies for using such data, and performing qualitative analyses, as well as considering, where appropriate, the proportionality implications of the EBA's proposals.

Figure 6: The BUL process



### Conducting peer reviews

The EBA's peer reviews aim to further increase the consistency of supervisory outcomes. Peer review exercises are conducted in accordance with the provisions of Article 30 of the EBA founding regulation and the EBA decision establishing the Review Panel. Peer reviews include an assessment of the adequacy of resources and governance arrangements of competent authorities, especially regarding the application of RTS and ITS; the degree of convergence reached in the application of Union law and in supervisory practices; and a consideration of the best practices developed by competent authorities. The EBA also has to make publicly available the best practices that can be identified from peer reviews.

In October 2018, after the publication of the final peer review report on the RTS on passport notifications, the Board of Supervisors approved the terms of reference of the peer review of the RTS on criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile.

### Maintaining the Interactive Single Rulebook

The Interactive Single Rulebook (ISRB) is a compendium of the key legislative frameworks within the EBA's remit: the CRR and CRD IV, the BRRD, the DGSD and, since 2018, also the Payment Services Directive (PSD2). This resource allows stakeholders to consult the relevant legislative frameworks, providing links from the articles of Level 1 texts to any associated technical standards (RTS and ITS) developed by the EBA and adopted by the European Commission, as well as EBA guidelines and Q&As relating to these legislative and regulatory texts.

The Q&A tool's significance is reflected in the continuously high number of questions submitted: By 31 December 2018, 4 440 questions (compared with 3 650 at the end of 2017) had been submitted via the dedicated Q&A tool on the EBA's website.



### Providing legal support for the EBA's work

Throughout 2018, the Legal Unit provided legal support to the governing bodies, to the management, and to the core policy and operational functions of the EBA. As regards the EBA's regulatory activities, the Legal Unit has offered legal analysis of and support in the drafting of binding technical standards, guidelines, recommendations and opinions. The Legal Unit also provided its advice on oversight activities by issuing supervisory recommendations as well as by facilitating the resolution of disputes.

In relation to the EBA's institutional setting, legal support was given on matters related to the EBA's relocation, in particular the negotiation and drafting of contracts.

### Working to protect personal data

Given its responsibility for data protection in accordance with Regulation (EC) No 45/2001, the EBA liaised with the office of the European Data Protection Supervisor. In 2018, the designated officers within the EBA promoted the importance of data protection issues to the EBA's staff, in particular by raising the importance of data protection during induction sessions organised for new joiners. The designated officers actively participated in the meetings of the EU Data Protection Network, including with regard to the introduction of the General Data Protection Regulation (GDPR).

### Delivering digital services to support the EBA's core functions and its internal administration

The year 2018 has been one of the most challenging yet for the EBA's IT Unit, given the accumulation of overlapping mission-critical work streams on top of ensuring stable business operations and continuous improvements, especially given the requirements of the Paris relocation, the data centre migration and the EUCLID program.

As part of the Paris relocation work programme, the IT Unit prepared, designed and contracted new modern and secure office infrastructure, including connectivity for a secure, highly mobile, wireless work environment, audio-visual infrastructure for meeting

rooms, and conferencing facilities. In doing so, the IT Unit took the opportunity to migrate towards as-a-service solutions (for printing, telephony and communications) while reducing costs, improving security, and increasing flexibility and quality. The IT Unit rolled out infrastructure and solutions for 100% mobility of the agency's workforce (laptops and teleworking solutions) while strengthening security.

The EUCLID program is the core digital element of the EBA's strategy to expand supervision to the entire EU banking market. In 2018, the IT Unit successfully advanced the implementation of EUCLID workstream 2 (the Master Data Management (MDM) engine), at the same time providing converging platforms for incoming projects (the PSD2 Register) and existing applications (the Credit Institutions Register).

During 2018, the IT Unit also maintained the current supervisory collection platform, ESP 10, aligning it with the data point model DPM 2.8. The EBA completed and launched a data analytics project, delivering a DPM-based analytics platform that offers self-service business intelligence capabilities to EBA staff. In July 2018, the EBA finalised enrolment into the ESCB secure email infrastructure, enabling EBA staff to participate in end-to-end secure messaging with member national competent authorities.

### Communicating and promoting the EBA's work

In 2018, the Communications Team undertook several tasks to promote a large number of publications and to support the delivery of the EBA's main projects in important areas. In total, 119 news items and press releases were published throughout the year.

Media briefings and interviews were organised either reactively or proactively, based on the EBA's outputs that, in the light of specific relevance or sensitivity, were deemed to require dedicated media activities. This was particularly the case for the opinion on Brexit, the EU-wide stress test and the transparency exercise. In 2018, the team organised 43 interviews and background briefings with journalists.

As part of an effort to improve internal communications, the team continued drafting and disseminating the staff newsletter (nine issues sent in 2018).

The EBA social media accounts continued to generate a great deal of attention. On 8 January 2019, the Twitter account had amassed 8 147 followers, an increase of 23% on the previous year. The EBA LinkedIn account also grew considerably in 2018. The number of page views also grew significantly across the year and impressions peaked at 13 958 in November.

Throughout the year, the EBA website registered an average of 8 681 visitors a day. In total,

the website received over 3.16 million visits in 2018 (+12.53% in comparison with 2017) corresponding to over 9.3 million page views (+6.63%). Geographically, the highest concentration of visits came from the UK (15.27%), followed by Germany (11.95%) and the USA (9.8%).

### Budget summaries

The amended budget for 2018 is published in the [Official Journal of the EU](#).

## The EBA's Brexit preparations

In 2018, the EBA continued closely following Brexit-related developments to understand the potential risks and issued its second opinion to draw these risks to the attention of financial institutions and supervisors, and to highlight the need for financial institutions to put in place appropriate mitigating measures.

The June 2018 opinion focused on the risks posed by the seeming lack of adequate preparations by financial institutions, with a view to ensuring that the financial institutions (i) established whether they had direct or indirect exposures to the UK, and (ii) if they did, considered the risks concerned, and how those might affect them, deciding on adequate mitigating action and forming contingency plans. In December 2018, the EBA also called for more action by financial institutions affected by Brexit in the area of communicating Brexit-related risks and mitigating measures being taken to their customers.

The EBA is also quite active in the preparations for the post-Brexit cooperation arrangements, where our focus is three-fold: (i) cooperation between supervisors, (ii) cooperation between resolution authorities and (iii) cooperation between the EBA (as an authority) and the UK authorities. In all of these three areas, the EBA has developed MoUs with the objective of having them in place in sufficient time before the end of March 2019.

Regarding the implementation of the relocation plan for the EBA's move to Paris, in April 2018, the EBA issued notice of a call for applications for rental of office space in Paris and La Défense.

After the evaluation of tenders and the subsequent selection of the new premises, in May 2018, a building file was submitted for approval to the Board of Supervisors, the European Parliament and the European Council in June 2018. Many of the EBA operational units were involved in the relocation process offering from legal advice to human resources and corporate support, procurement procedures, communication actions to inform stakeholders and IT solutions.

### The ESAs' cross-sectoral work under the Joint Committee

In 2018, under the chairmanship of ESMA, the Joint Committee continued in its role as a central point for coordination and exchange of information between the ESAs, along with the European Commission and the European Systemic Risk Board (ESRB). The focus of the committee on Brexit-related issues increased, as the ESAs continued in their preparation for the withdrawal of the UK from the EU. At the same time, progress continued on work in other important cross-sectoral fields, such as increasing consumer protection, monitoring financial innovation, and combating money laundering and terrorist financing.

## PRIORITIES FOR 2019

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- ° Contributing to the action plan to tackle non-performing loans in Europe
- ° Preparing for the application of major new items of EU legislation
  - ° Sequencing the CRR2 mandates
  - ° Delivering on the first SA-CCR and FRTB CRR2 mandates
  - ° Considering a new prudential regime for investment firms
  - ° Securitisation — STS EU law
- ° Preparing the Basel III implementation in the EU
  - ° Call for advice on the Basel III post-crisis reforms
- ° Understanding risks and opportunities arising from financial innovation
  - ° Monitoring financial innovation
  - ° Sustainable finance
  - ° Operational resilience
- ° Collecting, disseminating and analysing banking data
  - ° Feasibility study for an integrated European reporting framework
  - ° Resolution data
  - ° Supervisory reporting on Pillar 3
  - ° The 2019 EU transparency exercise
  - ° Data exploitation tools: a focus on data analytics
- ° Monitoring the implementation and convergence of resolution and prudential policies
  - ° IFRS 9 modelling and IRB implementation
  - ° Fostering the increase of the loss-absorbing capacity of the EU banking system
- ° Identifying and analysing trends and potential risks and vulnerabilities, and supporting efforts to resolve non-performing loans
- ° Contributing to the Commission's action plan on sustainable finance
- ° Improving AML/CFT supervision and enhancing cooperation
- ° Protecting consumers and contributing to secure and easy retail payments in the EU
  - ° Protecting consumers
  - ° Contributing to a consistent implementation of PSD2
  - ° Protecting depositors
- ° Ensuring the smooth relocation of the EBA to Paris

# Key publications and decisions

## Comprehensive list of EBA publications and decisions in 2018

Product	Title
Guidelines	Joint Guidelines on the application of the existing Joint Committee guidelines on complaints-handling to authorities competent for supervising the new institutions under PSD2 and/or the MCD
	Guidelines on disclosure of non-performing and forborne exposures
	Guidelines on disclosure requirements of IFRS 9 transitional arrangements
	Guidelines on fraud reporting under the Payment Services Directive 2 (PSD2)
	Guidelines on management of non-performing and forborne exposures
	Guidelines on the conditions to benefit from an exemption from the contingency mechanism under Article 33(6) of Regulation (EU) 2018/389 (RTS on SCA & CSC)
	Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing
Guidelines on the STS criteria for non-ABCP securitisation	
Implementing Technical Standards	Revised list of ITS on supervisory reporting
	Revised list of validation rules in ITS on supervisory reporting
	ITS on the provision of information for the purpose of resolution plans under Article 11(3) of Directive 2014/59/EU
	ITS on benchmarking of internal approaches
Regulatory technical standards	ITS on amending Commission Implementing Regulation (EU) No 650/2014 on the format, structure, contents and annual publication date of the supervisory information to be disclosed by competent authorities in accordance with Article 143(3) of Directive 2013/36/EU of the European Parliament and of the Council
	RTS on cooperation between competent authorities in home and host Member States in the supervision of payment institutions operating on a cross-border basis under Article 29(6) of PSD2
	RTS on the homogeneity of the underlying exposures in securitisation under Articles 20(14) and 24(21) of Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation
	RTS on the specification of the nature, severity and duration of an economic downturn in accordance with Articles 181(3)(a) and 182(4)(a) of Regulation (EU) No 575/2013
	RTS specifying the requirements for originators, sponsors and original lenders relating to risk retention pursuant to Article 6(7) of Regulation (EU) 2017/2402
RTS amending Delegated Regulation (EU) 2016/2251 on risk mitigation techniques for OTC derivative contracts not cleared by a central counterparty	
Opinions/advice	Opinion on measures in accordance with Article 458 of Regulation (EU) No 575/2013
	Opinion on measures in accordance with Article 458 Regulation (EU) No 575/2013
	Opinion on preparations for the withdrawal of the United Kingdom from the European Union
	Opinion on the implementation of the RTS on SCA and CSC
	Opinion on the use of eIDAS certificates under the RTS on SCA and CSC

Product	Title
Reports	Report on asset encumbrance
	Report on benchmarking of remuneration practices at the European Union level and data on high earners (data as at end 2016)
	Report on first observations on the impact and implementation of FRS9 by EU institutions
	Report on funding plans
	Report on 2016 CVA risk monitoring exercise
	Report on liquidity measures under Article 509(1) of the CRR
	Report on statutory prudential backstops
	Report on the Basel III monitoring exercise—results based on data as of 31 December 2017
	Report on the credit risk mitigation (CRM) framework
	Report on the European Secured Notes
	Report on the functioning of resolution colleges in 2017
	Report on the functioning of supervisory colleges in 2017
	Report on the implementation of the EBA guidelines on methods for calculating contributions to deposit guarantee schemes
	Report on the peer review of the RTS on passport notifications
	Report on the prudential risks and opportunities arising for institutions from FinTech
	Report on recommendations on the equivalence of confidentiality regimes
	2017 annual report
	Annual risk assessment report
	Report on the monitoring of AT1 instruments of EU institutions—third update
	Report on the monitoring of CET1 instruments issued by EU institutions—first update
	Financial education report 2017/18
	Report of the CRDIV-CRR/Basel III monitoring exercise—based on data as of 30 June 2017
	Joint report on amendments to the European Market Infrastructure Regulation clearing obligation under the Securitisation Regulation
	Joint report proposing to amend bilateral margin requirements to assist Brexit preparations for OTC derivative contracts
	Joint report on risks and vulnerabilities in the EU financial system
	Joint report on the results of the monitoring exercise on automation in financial advice
Joint report on big data	
Consultation Papers	CP on disclosure of non-performing and forborne exposures
	CP on draft Guidelines on ICT and security risk management
	CP on ITs amending Commission Implementing Regulation (EU) 2016/2070 with regard to benchmarking of internal models
	CP on ITs amending Implementing Regulation (EU) 2016/322 with regard to the LCR liquidity reporting
	CP on ITs amending Implementing Regulation (EU) No 680/2014 with regard to FINREP
	CP on ITs amending Implementing Regulation (EU) No 680/2014 with regard to securitisations
	CP on estimation of LGD appropriate for an economic downturn
	CP on management of non-performing and forborne exposures
	CP on outsourcing arrangements
	CP on the application of the existing Joint Committee guidelines on complaints handling to authorities competent for supervising the new institutions under the MCD and/or PSD2

Product	Title
	CP on the conditions to allow institutions to calculate capital requirements arising from securitised exposures in accordance with the purchased receivables approach
	CP on the new draft version of its data point model, DPM 2.9
	CP on the specification of the nature, severity and duration of an economic downturn in accordance with Articles 181(3)(a) and 182(4)(a) of Regulation (EU) No 575/2013
	CP on the specification of types of exposures to be associated with high risk under Article 128(3) of Regulation (EU) No 575/2013
	CP on the STS criteria for non-ABCP securitisation
	CP on amending regulatory technical standards (RTS) on the clearing obligation and risk-mitigation techniques for OTC derivatives not cleared
	CP on amending ITS on the mapping of ECAIs' credit assessments under the CRR
	CP on amendments to Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 on key information documents for packaged retail and insurance-based investment products (PRIIPs)
	CP on the cooperation and information exchange for the purposes of Directive (EU) 2015/849 between competent authorities supervising credit and financial institutions
Decisions	Decision by the EBA Board of Supervisors regarding an EU-wide stress test in 2019 Decision on the settlement of a disagreement between two resolution authorities, the Single Resolution Board and the National Bank of Romania
Recommendations	Recommendation to the Maltese Financial Intelligence Analysis Unit (FIAU) on action necessary to comply with the Anti-Money Laundering and Countering Terrorism Financing Directive Recommendations on the equivalence of confidentiality regimes

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